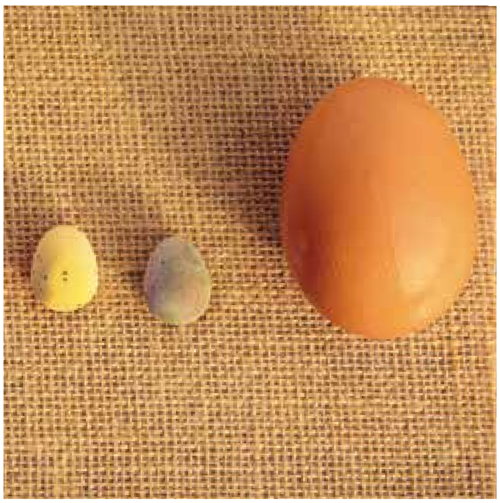
Make the most of your RRSP



Tap into your RRSP's full potential with these six tips.

CONTRIBUTING TO A REGISTERED Retirement Savings Plan (RRSP) is one of the most effective ways for Canadians to save for retirement. If an RRSP is part of your investment plan, here are some valuable suggestions you can take advantage of:

1. Make it automatic

With a biweekly or monthly pre-authorized plan, you can avoid the rush before the contribution deadline and benefit from tax-deferred growth on your contributions throughout the year.

If your workplace offers a group RRSP, sign up. Contributions can be deducted before calculating payroll taxes, lowering the taxes withheld from your paycheque. Some employers also match contributions.

2. Contribute more during peak earning years

If you are in a high tax bracket, consider maximizing your contributions to benefit from the tax deduction. Plan to withdraw in retirement when your income and tax rate are likely to be lower.

3. Consider an RRSP loan[1]

If you have excess RRSP contribution room, you may want to consider an RRSP loan so you can make a larger contribution to your RRSP during the first 60 days of the year. You then use your tax refund to repay some or all of your loan. The result is more money working for you sooner.

4. Consider making your contribution to a spousal RRSP

A spousal RRSP is an RRSP that is opened by your spouse or common-law partner, but that you contribute to – and you get the tax deduction. When your spouse or common-law partner withdraws the money, he or she pays any taxes due, as long as your most recent spousal contribution wasn't made this year or in either of the previous two years. This income-splitting strategy can save your household taxes before and after retirement.

[1] Borrowing to invest in an RRSP may not be appropriate for everyone. You will need the financial means to meet your loan obligations in full. Talk to your advisor to find out more about the advantages and obligations of borrowing to invest.

5. Top up whenever you can

Think about contributing raises, bonuses, tax refunds and extra cash flow after you pay down a debt. At the very least, boost your annual contributions by the inflation rate.

6. Plan for more than retirement

You can borrow funds from your RRSP to buy a qualifying home through the Home Buyers' Plan or to pay for qualifying educational programs through the Lifelong Learning Plan. You do not have to pay tax on these withdrawals as long as you repay the money to your RRSP according to a set schedule.

Talk to your advisor about whether you're taking full advantage of your RRSP, and regularly review your RRSP contributions and investments to ensure you're on track for a comfortable retirement. ■

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